

EXHIBIT 2

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In accordance with a protective order, the enclosure(s) shall be treated as confidential and shall not be shown to any person other than those persons designated in paragraph 8.2 of the paragraph order.

CONFIDENTIAL

Page 1

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF WYOMING

CUSTODIA BANK, INC., :
:
Plaintiff, :
:
vs. : Case No.:
:
1:22-cv-00125-SWS
FEDERAL RESERVE BOARD OF :
GOVERNORS, :
:
AND :
:
FEDERAL RESERVE BANK OF :
KANSAS CITY, :
:
Defendants. :

"CONFIDENTIAL" DEPOSITION OF KATIE S. COX

Volume 1 of 2

DATE: December 19, 2023
TIME: 8:38 a.m. to 4:15 p.m.
LOCATION: King & Spalding, LLP
1700 Pennsylvania Ave, NW
Suite 900
Washington, DC 20006

REPORTED BY: Felicia A. Newland, CSR

Veritext Legal Solutions
1250 Eye Street, N.W., Suite 350
Washington, D.C. 20005

CONFIDENTIAL

Page 22

1 A I don't recall there being one
2 denied. There could have been one where I didn't
3 happen to be on the team.

4 Q Okay. Great.

5 Okay. So any other positions you
6 held while you were in Dallas?

7 How long were you in Dallas actually?

8 A So I was -- yeah, so I was in Dallas
9 until, I want to say, 1991.

10 Q Okay. So you were in Dallas for
11 quite a while?

12 A Yeah, I was in Dallas for almost six
13 years.

14 Q Okay. Great.

15 So you started as a financial analyst
16 in Mergers and Acquisitions. You moved over to the
17 bank examiner function, I think you said late '80s,
18 early '90s?

19 A Well, I moved in January '88.

20 Q Okay. Great.

21 And then is -- did you stay in that
22 function thereafter or did you --

CONFIDENTIAL

Page 23

1 A So -- so then I moved to Pittsburgh.
2 And I moved -- worked for the Cleveland Reserve
3 Bank. And I think I was there from January 1991 to
4 January 1992, same thing, doing -- being a bank
5 examiner.

6 Q Okay. Great.
7 And then so you were in -- and after
8 Pittsburgh?

9 A After Pittsburgh, I moved to the
10 Richmond Reserve Bank. And I was there in '92 and
11 '93 as an examiner.

12 Q Yep.

13 A And then I moved to the Kansas City
14 Reserve Bank. And I was there from '93 to '95.
15 And the whole time I'm -- I'm a bank examiner.

16 Q Okay. Great.
17 And so just to clarify, during that
18 time you were not working on master account
19 requests. Is that right?

20 A No, I was not working on master
21 account --

22 Q Okay. You were working on --

CONFIDENTIAL

Page 24

1 A Bank exams.

2 Q -- bank exams for -- were they member
3 banks or were they applicants to become member
4 banks or both?

5 A Sometimes the applicants become
6 member banks, but most of the time it was just
7 banks that were already existing --

8 Q Okay.

9 A -- or holding -- like I said, the
10 Federal Reserve is responsible for all different
11 types of financial institutions, so I might be
12 doing a foreign bank for a while, I might be going
13 to a holding company inspection --

14 Q Gotcha.

15 A -- a commercial bank, a mortgage
16 company, a leasing company. It's just -- there's
17 all types of financial institutions that the
18 Federal Reserve is responsible for examining, it's
19 not just banks.

20 Q I gotcha.

21 A But we call it bank examining.

22 Q Okay. That's great.

CONFIDENTIAL

Page 25

1 Okay. So you're at the Federal
2 Reserve Bank of Kansas City now. Who-hoo.

3 Did you work with -- during your time
4 at the Federal Reserve Bank of Kansas City, did you
5 work with anyone that worked on Custodia's master
6 account request or membership application?

7 A Well, I was there only until '95, so
8 no.

9 Q So no. Okay.
10 There's some lifers in the Federal
11 Reserve Bank of Kansas City, so I had to ask.

12 A Well, I worked -- so the people --
13 are you talking -- let me make sure I understand
14 your question. Are you asking me if I worked with
15 anyone who --

16 Q Who then went on to work on
17 Custodia's, years later.

18 So was Esther George there, for
19 example, and did you work with her?

20 A No. She, I believe, was at the
21 Denver Branch or not in the -- now, the person I
22 did work with was Jackie Nugent, but not while --

CONFIDENTIAL

Page 57

1 A Sure.

2 So an SR Letter is a letter developed
3 in the division of Supervision and Regulation. And
4 it's giving public guidance to the banks and to the
5 reserve banks, that's your audience, as to some new
6 policy or -- or some tweak to an old policy. You
7 know, we're taking an old SR Letter and we're
8 updating it or this is a new -- so anyways, it's
9 public guidance.

10 Q Okay. So the SR Letters are public?

11 A Uh-huh.

12 Q And do you know what kinds of topics
13 they tend to cover?

14 A Well, they cover supervisory
15 matters --

16 Q I gotcha. Okay.

17 And so --

18 A -- for that division.

19 Q I gotcha.

20 A Ours is of supervisory, so it's
21 covering supervisory matters.

22 Q Okay. And so you also mentioned S

CONFIDENTIAL

Page 58

1 Letters.

2 A Uh-huh.

3 Q Do you -- do you know what a S Letter
4 is?

5 A Well, that's a letter of public
6 guidance issued by the secretary's office.

7 Q Okay. S Letters are public?

8 A Well, that one, it can be. I don't
9 know. I -- ours are public.

10 Q I gotcha.

11 Okay. SR Letters are public, and
12 you're not sure --

13 A I'm not sure about the S Letters --

14 Q Okay.

15 A -- because I really didn't deal with
16 those much.

17 Q Okay. And do you happen to know what
18 subjects S Letters dealt with or --

19 A I -- I didn't really deal with S
20 Letters.

21 Q Okay. So would guidance concerning
22 master accounts be promulgated through S Letters or

CONFIDENTIAL

Page 59

1 SR Letters, to your knowledge?

2 A So I didn't work on --

3 Q Okay.

4 A -- guidance related to master account
5 requests.

6 Q Okay. Great. I just wanted to --

7 A Yeah.

8 Q Because we're talking about so many
9 different things --

10 A Yeah, right.

11 Q -- I just want to make --

12 A Right.

13 Q -- sure I keep track.

14 A Right.

15 Q Okay. So in that same vein, I just
16 want to make sure I button up a couple of things.

17 You were always in the Mergers and
18 Acquisitions Division when you were working at the
19 Board of Governors. Is that correct?

20 A Yeah. And it's a section of the
21 division, just for the -- to be more precise.

22 Q Okay. And they oversee membership

CONFIDENTIAL

Page 60

1 applications, correct?

2 A That's part of the job.

3 Q And mergers and acquisitions?

4 A That's part -- like I said, there's
5 40 different --

6 Q Right, right.

7 A -- types of proposals that come
8 through.

9 Q We were talking about your chain of
10 command. I didn't hear RBOPS in there. Did you
11 ever work with RBOPS?

12 When I say -- let me strike that.
13 Let me back up.

14 When I say RBOPS, do you know what
15 I'm talking about?

16 A Yes. Reserve Bank Operations and
17 Payment Systems division.

18 Q Okay. And did you ever work with
19 them?

20 A Not really. I mean, they were
21 involved in the ICE Trust proposal, but what they
22 did, I don't know.

CONFIDENTIAL

Page 61

1 Q Okay. Gotcha.

2 So, you know, it sounds like you've
3 had some exposure to master accounts when they were
4 brought in conjunction with a membership
5 application, for example.

6 Was it your understanding that the
7 Fed believed it had discretion to grant or deny a
8 master account?

9 A My understanding was when the
10 proposal came in, that the legal division needed to
11 determine whether it was a legally eligible
12 depository institution.

13 Q Okay. That was the Board's role?

14 A Well, the Board would make that
15 determination. If it was kind of a novel type of
16 institution, it would come up to the Board. Those
17 are the ones that I saw, let's put it that way.

18 Q Okay.

19 A And then once they were determined to
20 be legally eligible depository institutions, then
21 that part of the master account piece was finished,
22 and then we would work on the state membership bank

CONFIDENTIAL

Page 62

1 or something like that.

2 Q Okay. So once that determination
3 happened, you didn't know what happened from there?

4 A No. We approved them.

5 Q You approved the master account?

6 A Well, for the -- for the ICE Trust
7 one, the Board order cites that the institution has
8 been granted access to Federal Reserve services.

9 Q Okay. And we can -- we can revisit
10 that.

11 I think the ICE Trust Board order
12 says ICE Trust would be eligible to open an account
13 with the Federal Reserve Bank of New York.

14 A Yeah.

15 Q I don't know if it actually granted
16 it.

17 A Well, they -- I don't know what
18 happened afterwards --

19 Q Okay.

20 A -- but that's an up-and-running
21 institution that -- you know, I'm the gatekeeper.
22 Once it's out of the gate, then it goes into

CONFIDENTIAL

Page 63

1 Supervision or it goes into RBOPS or the payment
2 system people.

3 Q Right.

4 Okay. So when you say you're the
5 gatekeeper, you would help track a legal
6 eligibility determination and then it would go off
7 from there. So either --

8 A Well, it would get --

9 Q -- it would go to -- I'm sorry, it
10 would either go back to the reserve bank, it would
11 go -- you know, if something needed to go through
12 RBOPS, it might go through RBOPS. You were sort of
13 first line?

14 A Right. So the only -- the only
15 thing -- the only statutory factor for the master
16 account, was it legally eligible? And then after
17 that's determined that it's legally eligible, then
18 there's no other factors that the Feds have been
19 granted authority to do in order to grant them.

20 You know, you're either eligible and
21 you get your master account or you're not eligible.

22 Q So that -- you mean there's one

CONFIDENTIAL

Page 64

1 determination that the Board needs to consider,
2 legal eligibility. Is that correct?

3 MS. WEINBERGER: Object to form.

4 THE WITNESS: So what I'm saying is
5 there's only one statutory factor that the Federal
6 Reserve is given, only one power that it's given
7 for the master account proposals. And that's just
8 a -- is it a legally eligible depository
9 institution? And Board Legal worked on that
10 factor.

11 BY MS. CARLETTA:

12 Q Okay. And so you wouldn't know if
13 the reserve banks were conducting a risk assessment
14 on master account requests. Is that right?

15 MS. WEINBERGER: Object to form.

16 THE WITNESS: They might be.

17 BY MS. CARLETTA:

18 Q Okay.

19 A But I don't know what they're doing
20 with it. Either you get your master account
21 because you're legally eligible or you don't. I
22 mean, it's the way -- that's the authority that

CONFIDENTIAL

Page 65

1 congress has given the Fed.

2 Q Okay. But you didn't work just on
3 master accounts. Is that right?

4 A Yeah, that's correct.

5 Q Okay. So you wouldn't know how
6 reserve banks were typically handling master
7 account requests. Is that right?

8 MS. WEINBERGER: Object to form.

9 THE WITNESS: So I'm saying what --
10 the way the whole Federal Reserve System works, any
11 proposal, is that we only look at the statutory
12 factors that we're permitted to look at, that's it.

13 BY MS. CARLETTA:

14 Q Okay. But you --

15 A So there's just one --

16 Q -- you don't know what was happening
17 at that --

18 A It wasn't --

19 Q Did every master account request come
20 through the Board of Governors?

21 A Of course not.

22 Q Okay. So they were typically handled

CONFIDENTIAL

Page 66

1 at the reserve banks. Is that right?

2 A So typically, yes.

3 Q Okay. And would you know what the
4 typical process was for handling a master account
5 request?

6 MS. WEINBERGER: Object to form.

█

█

█

█

█

█

13 BY MS. CARLETTA:

14 Q So I'm sorry, let me back --

15 A Uh-huh.

16 Q -- let me back up for a second.

█

█

█

█

█

█

[illegible]

22

CONFIDENTIAL

Page 68

1 When you were working -- when you
2 would receive a master account -- when you would
3 review a master account request in tandem with some
4 other request --

5 A Uh-huh.

6 Q -- did you receive training on how to
7 handle the master account request?

8 A So each statutory factor is divvied
9 up among the different divisions. So the only
10 statutory factor is, "Is it legally eligible?"
11 That factor goes to Board Legal. And my --

12 Q Okay. So you would just sort of ship
13 off the master account request to Board Legal.
14 Would you analyze anything independently?

15 MS. WEINBERGER: Object to form.

16 THE WITNESS: No, because the only
17 thing that the Feds are statutorily permitted to do
18 for a master account application, is just to look
19 at the legal eligibility.

20 BY MS. CARLETTA:

21 Q So what's your --

22 A That's it.

CONFIDENTIAL

Page 69

1 Q -- basis for that opinion, that
2 there's only one statutory factor?

3 A So every statutory factor is tied
4 back to some sort of banking act, or that we look
5 at. And that is tied back -- so like there's a
6 Bank Holding Company Act, it has the statutory
7 factors. The bank Merger Act has the statutory
8 factors. The Monetary Control Act has the
9 statutory factors. I mean, when you look at that,
10 there's only one, there's only one statutory
11 factor.

12 Q Okay. And is -- and you're not a
13 lawyer though, right?

14 A No, I'm not.

15 Q Okay. So a master account request
16 would come in, you would send it off to Board
17 Legal. And would you do anything else with the
18 master account request?

19 MS. WEINBERGER: Object to form.

20 THE WITNESS: So, like I said before,
21 the analyst is in charge of making sure every
22 statutory factor is analyzed by somebody within the

CONFIDENTIAL

Page 70

1 Federal Reserve, and particularly at the Board.

2 And each division has its responsibilities. So

3 legal tells me whether it's an eligible depository

4 institution.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

CONFIDENTIAL

Page 71

Factor	Percentage (%)
Education	85
Infrastructure	75
Government stability	90
Economic reforms	65
Foreign investment	55
Technological innovation	70
Trade agreements	60
Political transparency	80
Environmental protection	45
Cultural heritage	35
Social equality	50
Healthcare system	60
Legal system	70
Military strength	40
Diplomatic relations	55
Energy resources	65
Geographical location	50
Natural disasters	30
Climate change	45
Population growth	55
Urbanization	60
Rural development	50
Agriculture	40
Fishing industry	35
Tourism	45
Manufacturing	55
Services sector	65
Real estate market	50
Financial markets	60
Banking system	55
Insurance industry	45
Stock exchange	50
Bond market	40
Commodity prices	55
Oil prices	60
Gas prices	50
Coal prices	45
Natural gas	55
Renewable energy	65
Solar power	50
Wind power	60
Hydroelectric power	55
Geothermal power	45
Bioenergy	50
Nuclear power	60
Space exploration	40
Artificial intelligence	55
Robotics	60
Biotechnology	50
Information technology	65
Telecommunications	55
Internet access	60
Mobile phones	70
Laptops	65
Smartphones	75
Tablets	60
Wearable devices	50
Smart homes	45
Autonomous vehicles	55
Drone technology	40
3D printing	50
Virtual reality	45
Augmented reality	55
Blockchain	40
Cryptocurrency	50
Bitcoin	45
Ethereum	55
Cardano	40
XRP	50
Bitcoin Cash	45
Monero	55
Zcash	40
Bitcoin SV	50
Bitcoin Gold	45
Bitcoin Classic	55
Bitcoin Unlimited	40
Bitcoin Core	50
Bitcoin-NG	45
Bitcoin-Lite	55
Bitcoin-Diamond	40
Bitcoin-Dark	50
Bitcoin-Magic	45
Bitcoin-Specter	55
Bitcoin-Jaxx	40
Bitcoin-Wallet	50
Bitcoin-Core	45
Bitcoin-Lite	55
Bitcoin-Diamond	40
Bitcoin-Dark	50
Bitcoin-Magic	45
Bitcoin-Specter	55
Bitcoin-Jaxx	40
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Bitcoin-Lite	55
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Bitcoin-Specter	55
Bitcoin-Jaxx	40
Bitcoin-Wallet	50
Bitcoin-Core	45
Bitcoin-Lite	55
Bitcoin-Diamond	40
Bitcoin-Dark	50
Bitcoin-Magic	45
Bitcoin-Specter	55
Bitcoin-Jaxx	40
Bitcoin-Wallet	50
Bitcoin-Core	45
Bitcoin-Lite	55
Bitcoin-Diamond	40
Bitcoin-Dark	50
Bitcoin-Magic	45
Bitcoin-Specter	

17 Q And who -- who from the Board of
18 Governors would typically speak to reserve banks
19 about master account requests?

20 Would that be Board Legal?

21	A	Who would do what?
----	---	--------------------

22 Q I'm sorry.

CONFIDENTIAL

Page 72

1 Who from the Board of Governors would
2 typically be in communication with reserve banks
3 about master account requests?

4 Would that be Board Legal?

5 A Well, when I was involved in master
6 account proposals, it was typically an eligibility
7 issue, and Board Legal would be the one leading the
8 determination on that particular statutory factor.

9 Q Were you engaged in routine
10 conversations with any of the reserve banks about
11 master account requests?

12 A Not unless there was a proposal in
13 hand, you know, that we were working -- a companion
14 proposal.

15 Q Okay.

16 MS. CARLETTA: You know, I think
17 we've been going for about an hour. Do you want to
18 take a break for a minute?

19 (Recess from 9:32 a.m. to 9:45 a.m.)

20 BY MS. CARLETTA:

21 Q Okay. So I just want to follow up on
22 a couple of questions on our conversation before.

CONFIDENTIAL

Page 73

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

9 Q Okay. Did you work on Fourth Corner?

10 A No, I did not.

11 Q The Reserve Trust Company?

12 A No, I didn't work on that.

13 Q Narrow Bank, The Narrow Bank?

14 A No, I didn't work on that.

15 Q So when an applicant would bring both
16 a membership and a master account request at the
17 same time, that's when you would review master
18 account requests?

19 A Right. There would be a companion
20 proposal --

21 Q Okay.

22 A -- with the master account request.

CONFIDENTIAL

Page 74

1 Q Okay. And for handling master
2 account requests, was there any training in
3 writing?

4 A No.

5 Q Okay. So you would see the master
6 account request and then communicate to Board Legal
7 that a master account request was pending. Is that
8 right?

9 A So there's a centralized process or
10 database. So when proposals come in, each division
11 is notified that's -- that's involved that there's
12 a proposal. So I -- it's -- it's a --

13 Q It's the database?

14 A Yeah, it's a database. It's a system
15 that notifies people.

16 Q I see.

17 So you wouldn't need to have direct
18 contact with Board Legal on a master account
19 request?

20 A No, not initially.

21 Q Okay. And so then would Board Legal
22 communicate a decision through you or would they

CONFIDENTIAL

Page 75

1 discuss directly with the reserve bank?

2 A So the way it works is --

3 Q And I'm sorry on a master account
4 request.

5 A Yeah. So the way these proposals
6 that come into the system work is there's a
7 database and then within the database, the managers
8 assign people to work on those. And then you can
9 look in the database and you see who is assigned to
10 the proposals. But what Legal does with the
11 reserve bank, I don't -- I don't know.

12 Q Okay. Would anybody else from the
13 Board of Governors be assigned to review the master
14 account request other than Board Legal?

15 A I don't -- I -- other than them, I
16 don't know.

17 Q Okay. And so they would communicate
18 with the reserve bank directly?

19 A I -- I don't know what the -- what
20 the -- what Board Legal did once they had them.

21 Q Would you communicate with reserve
22 banks on master account requests?

CONFIDENTIAL

Page 90

1 employee's performance.

2 Q Okay. Did you ever work with a
3 member bank whose membership was revoked?

4 A I can't think of one.

5 Q Okay. Do you know what circumstances
6 might lead to membership revocation?

7 A Typically it's a failure, the bank
8 fails, but I'm -- that's all -- that's the only one
9 I can think of.

10 Q Okay. Could they ever act in a way
11 that proposes risks to the system that might
12 generate a revocation?

13 MS. WEINBERGER: Object to form.

14 THE WITNESS: Well, that's certainly
15 a possibility.

16 BY MS. CARLETTA:

17 Q If a membership was revoked, would a
18 bank be closed?

19 A Well, I don't -- I don't recall a
20 membership being revoked, so I don't know how that
21 works.

22 Q Okay. When you grant an -- I'm

CONFIDENTIAL

Page 91

1 sorry.

2 When the Board of Governors grants
3 membership, can it impose conditions on the member?

4 A It -- it can -- it could, yes.

5 Q So when a reserve bank grants a
6 master account request, can it do so subject to
7 conditions?

8 MS. WEINBERGER: Object to form.

9 THE WITNESS: Yeah. So I'm -- I'm
10 not familiar with what conditions can be imposed
11 regarding a master account request.

12 BY MS. CARLETTA:

13 Q Okay. Did you ever work with an
14 applicant who was not granted membership?

15 A They applied for a membership and
16 weren't granted? We could have asked a member --
17 you know, someone applying to withdraw their
18 membership, but I don't recall myself working on
19 that.

20 Q Okay. You never worked on a
21 membership application that had been -- that was
22 ultimately withdrawn?

CONFIDENTIAL

Page 92

1 A I could have. I just don't recall if
2 I did or not.

3 Q Okay.

4 A I mean, I could have.

5 Q Do you know what circumstances would
6 lead to a denial or a request for withdrawal?

7 A Of what?

8 Q A membership application.

9 A Well, I don't -- if you didn't meet
10 the statutory factors, then that's when, you know,
11 the system staff would ask you to withdraw.

12 Q Okay. And for the membership, what
13 are those statutory factors again?

14 A I believe it's financial and
15 managerial.

16 Q What does that mean?

17 A Well, that means we look at your
18 CAMELS rating and your Bank Secrecy Act compliance.

19 Q Okay.

20 A Also capital. And we look at the
21 bank's current financial condition, too.

22 Q Okay.

CONFIDENTIAL

Page 147

1 an officer and an official of a bank. That's the
2 only one that I can think of that the reserve banks
3 have the authority to deny.

4 Q Do the reserve banks have authority
5 to deny master account requests?

6 MS. WEINBERGER: Object to form.

7 THE WITNESS: Well, they -- yes, they
8 have the -- they do have the authority to do that.

9 BY MS. CARLETTA:

10 Q And they have the authority to grant
11 them?

12 A And the authority to grant them, yes.

13 Q I think --

14 MS. CARLETTA: How long have we been
15 going? Let's take a break.

16 (Recess from 10:52 a.m. to 11:08 a.m.)

17 BY MS. CARLETTA:

18 Q So I want to talk a little bit about
19 Custodia's master account request. Did you review
20 the request before it was submitted?

21 A No. I think it's just -- no, I
22 didn't.

CONFIDENTIAL

Page 148

1 Q Did you advise Custodia about how the
2 master account review process would work?

3 A No, I didn't.

4 Q So you didn't tell them either way
5 what would happen once they submitted their master
6 account request?

7 A No, I didn't.

8 Q Were you familiar with any policies
9 or procedures that the reserve banks had put out
10 concerning master account request procedures?

11 A No, not in -- no, I can't say I knew
12 anything specifically. Maybe some things in
13 general, but . . .

14 Q Were you aware of, for example, the
15 Federal Reserve Bank of New York's handbook on
16 master account requests?

17 A No. I knew about Business Operating
18 Circular No. 1.

19 Q Okay. Had you reviewed that before?

20 A No, I had not.

21 Q So you were aware that it existed?

22 A Yeah, I was aware that the operating

CONFIDENTIAL

Page 149

1 circular existed.

2 Q Okay. But you hadn't reviewed it?

3 A No.

4 Q And did Custodia seek your advice on
5 the master account process?

6 A Not really. I mean, they knew I
7 wasn't -- they knew they were hiring me more for
8 understanding the whole Federal Reserve System, how
9 it -- how it -- how the Federal Reserve System
10 works in relationship to proposals in general.

11 Q Okay. Were you aware that FRBKC had
12 policies and procedures concerning evaluation of
13 master account requests?

14 A No, I wasn't --

15 Q Okay.

16 A -- aware of that.

17 Q Is it your understanding that the
18 review process for a master account may be
19 different than the review process for a membership?

20 A I know what the review process is for
21 membership, and that's based on the statutory
22 factors, but -- and so that process for a master

CONFIDENTIAL

Page 150

1 account should be based on statutory factors, but
2 other than that --

3 Q You don't know?

4 MS. WEINBERGER: Object to form.

5 THE WITNESS: Well, I know there's a
6 difference in the statutory factors, but I don't
7 know how else to answer that.

8 BY MS. CARLETTA:

9 Q Okay. Did you meet with the Federal
10 Reserve Bank in 2020 about Custodia's master
11 account request?

12 A So there may have been some
13 conference calls with the -- with the reserve bank.

14 Q But would you have been a part of
15 those in 2020?

16 MS. WEINBERGER: To clarify, you're
17 talking about in the year?

18 BY MS. CARLETTA:

19 Q In the year 2020, would you have been
20 a part of any calls with the Reserve Bank of Kansas
21 City and Custodia concerning Custodia's master
22 account request?

CONFIDENTIAL

Page 165

1 And the -- and the standard is you go by what the
2 statutory authority is.

3 BY MS. CARLETTA:

4 Q So that's what Board Legal
5 determines, correct?

6 A That's true.

7 Q And you never reviewed policies or
8 procedures concerning how master account requests
9 are decided --

10 MS. WEINBERGER: Object to form.

11 BY MS. CARLETTA:

12 Q -- from the Board?

13 MS. WEINBERGER: Object to form.
14 Foundation.

15 THE WITNESS: So it's -- so the Fed
16 only has the authority to determine whether it's
17 eligible or not. It's the chartering authority's
18 job, and they have the authority to grant the
19 charter.

20 BY MS. CARLETTA:

21 Q Isn't that a legal determination?

22 MS. WEINBERGER: Object to form.

CONFIDENTIAL

Page 166

1 BY MS. CARLETTA:

2 Q You're interpreting a statute?

3 A No. That's how it works. I mean,
4 that's the dual banking system. That's widely
5 accepted. That's how it works. They get the
6 charter. The Fed doesn't charter institutions.

7 Q I understand that.

8 A And that's --

9 Q Who decides master account requests?

10 A Well, the Federal Reserve does.

11 Q So based on your experience at the
12 Fed, in your position that you just told me, is the
13 Fed entitled to impose conditions on master account
14 holders?

15 MS. WEINBERGER: Object to form.
16 Calls for a legal conclusion.

17 THE WITNESS: So I don't know what
18 conditions are imposed on master accounts. I can't
19 speak to that.

20 BY MS. CARLETTA:

21 Q Have you ever seen any imposition of
22 conditions on master account holders?

CONFIDENTIAL

Page 167

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

6 Q Any others?

7 A I -- I don't recall.

8 Q Okay. Have you ever seen the Fed
9 restrict access to certain services for master
10 account holders?

11 A I didn't work in that area, so I
12 wouldn't know.

13 Q Okay. Have you ever seen the Fed
14 close master accounts?

15 A I'm aware of -- of a closing. I
16 think -- I think there's only one that I'm aware
17 of.

18 Q And what would happen if the Board
19 kicked a member out of the system, would that bank
20 still be entitled to a master account and all of
21 its services?

22 A So I wouldn't work on that end of it.

CONFIDENTIAL

Page 168

1 Again, I'm in the gatekeeping function, we're --
2 once they're in and we've approved them, some
3 other -- other divisions and other sections of the
4 Federal Reserve handle that.

5 Q Okay. So I'm going to introduce
6 another exhibit. You can set that to the side.

7 (Cox Deposition Exhibit Number 309 marked
8 for identification.)

9 MS. CARLETTA: So this is going to be
10 introduced as Exhibit 309. And it's Bates stamped
11 Custodia5452.

12 BY MS. CARLETTA:

13 Q Okay. Do you recognize this
14 document?

15 A No, not really, but it's -- I don't
16 recall this document.

17 Q Is it an e-mail from Caitlin to you?

18 A That's what it appears to be.

19 Q Okay. Great.

20 So this is marked December 4, 2020,
21 correct?

22 A That's correct.

CONFIDENTIAL

Page 169

1 Q So this is about two months -- well,
2 it's about five weeks after Custodia applied for
3 the master account request. Is that right?

4 A I believe so.

5 Q So Caitlin says, "Hi, Katie. Please
6 see the below, so you're up to speed on Fed
7 questions posed to us. They're digging in, but so
8 far the questions are easy to answer."

9 Do you see where she says that?

10 A Yes.

11 Q Okay. So let's flip over and look at
12 some of the questions that Katie -- I'm sorry, that
13 Caitlin is referencing.

14 I believe she's referencing this
15 e-mail from Christi May-Oder to Katherine Mooney
16 Carroll. Is that correct?

17 A That's correct.

18 Q Who is Katherine Mooney Carroll?

19 A I believe she was -- she's an
20 attorney at Cleary Gottlieb.

21 Q And Cleary Gottlieb is?

22 A Outside counsel for Custodia.

CONFIDENTIAL

Page 170

1 Q Okay. And who is Christi May-Oder?

2 A Christi May-Oder, I believe, is an
3 assistant vice president at the Kansas City Reserve
4 Bank.

5 Q Okay. And what does she -- does she
6 work on master account requests?

7 A Yeah, that's my understanding.

8 Q Do you know what the credit risk and
9 management department is?

10 A Yes, I'm familiar with them.

11 Q What is it?

12 A So they're the area that handles --
13 they're the payment system people. So they -- they
14 handle master accounts and discount window matters
15 with member banks.

16 Q And when they speak with
17 individual -- and when they speak with individuals
18 at the Board, who do they tend to interact with?

19 A I really don't know.

20 Q Okay. So I'm going to look at this
21 e-mail. So, "Good afternoon, Katherine. Thank you
22 for reaching out. We've prepared the following

CONFIDENTIAL

Page 171

1 questions to provide an idea of some of the topics
2 we're interested in discussing."

3 And then some of the questions
4 follow. "An example of a customer or types of
5 customer that would need to use the Avanti Payment
6 Service and how existing providers do not
7 adequately meet their needs. The process of --
8 two, the process of consumer purchasing and
9 redeeming an Avit and how as noted in the business
10 plan materials, Avit's master" -- I'm sorry --
11 "Avanti's master account with the reserve bank
12 would be unchanged.

13 "What would change the balance in the
14 master account? How will you manage liquidity?
15 How does volatility and Bitcoin affect Avanti's
16 balance sheet and cash flow payment volumes? And
17 what is your earnings model on prime and custody
18 services?"

19 None of these questions pertain to
20 legal eligibility, correct?

21 MS. WEINBERGER: Object to form.
22 Calls for a legal conclusion.

CONFIDENTIAL

Page 217

1 considerations. Is that your testimony?

2 A No --

3 MS. WEINBERGER: Object to form.

4 THE WITNESS: -- that's not my
5 testimony. Our concern at this stage is this
6 eligibility matter is starting to rear its head
7 with Board Legal, and so I'm just -- anyway, that's
8 our concern at this time.

9 BY MS. CARLETTA:

10 Q Why didn't you say that?

11 I don't see you mention legal
12 eligibility here anywhere.

13 A Well, we don't know how -- we don't
14 know how big of a concern it is at this point, so
15 we don't know if it's worth mentioning.

16 Q Generally speaking, looking at .8,
17 did you advise that the Fed had discretion to
18 decide a master account request?

19 MS. WEINBERGER: Object to form. And
20 calls for a legal conclusion.

21 THE WITNESS: So I'm not a lawyer.

22 What I -- what I --

CONFIDENTIAL

Page 218

1 BY MS. CARLETTA:

2 Q I know. I'm asking what you advised
3 them how this process would work.

4 A I told them -- I told them it would
5 very likely go to the Board and it could take some
6 time.

7 Q And they could grant or deny your
8 request?

9 A I didn't say that. I just said it
10 could take some -- that's what not -- are you
11 asking me what I told -- what I said to Custodia
12 initially?

13 Q Yes.

14 A That's -- that's what I said to
15 Custodia initially when --

16 Q You said, "I'm not saying a denial
17 can't happen"?

18 A Well, this is when I'm talking to the
19 investors.

20 Q But --

21 A Your question --

22 Q But the investor -- did you tell the

CONFIDENTIAL

Page 219

1 investors something different than --

2 A These are potential --

3 Q -- what you told Custodia?

4 MS. WEINBERGER: Sorry. Don't talk
5 over each other.

6 THE WITNESS: Okay.

7 MS. WEINBERGER: Question, answer.

8 BY MS. CARLETTA:

9 Q Did you tell Custodia some -- did you
10 tell Custodia's investors something different than
11 what you told Custodia?

12 MS. WEINBERGER: Object to form.
13 Foundation.

14 THE WITNESS: So what I told the
15 potential investors is this.

16 BY MS. CARLETTA:

17 Q And is this consistent with what you
18 told Custodia?

19 A So I don't remember all the
20 conversations. My general conversations with
21 Custodia were that this could take -- this could
22 take a while and it could go up to the Board of

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF WYOMING**

CUSTODIA BANK, INC.,)

Plaintiff,)

v.)

Civil Number: 22-cv-00125-SWS

FEDERAL RESERVE BOARD OF)

GOVERNORS and FEDERAL RESERVE)

BANK OF KANSAS CITY,)

Defendants.)

**ERRATA SHEET FOR THE TRANSCRIPTS OF THE DEPOSITIONS OF
KATIE COX**

I, Katie Cox, have read the transcripts of my depositions taken on December 19, 2023 (“Vol. 1”) and December 20, 2023 (“Vol. 2”) in the above captioned matter and make the following corrections:

Vol.	Page	Line	Current Transcript	Change	Reason
1	71	10	Council	Counsel	Transcription error
1	84	9–10	Division of Consumer Community Affairs	Division of Consumer and Community Affairs	Transcription error
1	87	18	Allison Crowe	Alison Thro	Transcription error
1	95	16	general council	general counsel	Transcription error
1	97	1	Ben Mickey	Ben McGee	Transcription error
1	110	2	Ben Bader	Ben Bauder	Transcription error
1	182	6	secondment	seconded	Transcription error
1	183	10	secondment	seconded	Transcription error
1	248	14	sure	insured	Transcription error

Vol.	Page	Line	Current Transcript	Change	Reason
1	343	14	Custodia on products and services that was	Custodia on products and services that it was	Transcription error
2	21	11	And A lot of things	And a lot of things	Transcription error
2	38	9	So I reference	So I referenced	Transcription error
2	58	8	narrowed it down farther	narrowed it down further	Transcription error
2	87	8	Territory bank of Americas	Territorial Bank of American Samoa	Clarification
2	144	8	American Bank of Samoa	Territorial Bank of American Samoa	Clarification
2	145	13, 17	American Samoa Bank	Territorial Bank of American Samoa	Clarification
2	164	7	might sent it out	might send it out	Transcription error
2	176	17–18	Office of the Comptroller, the currency	Office of the Comptroller of the Currency	Transcription error
2	197	9	there's two ways to get a master account was to buy	there's two ways to get a master account – to buy	Transcription error
2	197	14	And we had went in with the FDIC in	And we went in with the FDIC and	Transcription error
2	201	15	hand version	handbook version	Transcription error
2	211	17	Florida charter	Florida chartered	Transcription error

Dated: January 8, 2024

/s/ Katie Cox

Katie Cox